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PUBLIC SERVICE
COMMISSION

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

**Louisville Gas and
Electric Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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November 14, 2007

Robert M. Conroy
Manager - Rates
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**RE: AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE SIX-
MONTH BILLING PERIOD ENDING OCTOBER 31, 2006 AND
FOR THE TWO-YEAR BILLING PERIOD ENDING APRIL 30,
2007
CASE NO. 2007-00380**

Dear Ms. O'Donnell:

Please find enclosed and accept for filing the original and seven (7) copies of the the Response of Louisville Gas and Electric Company to the Second Data Request of Commission Staff dated October 31, 2007, in the above-referenced matter.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

Robert M. Conroy

A handwritten signature in black ink that reads 'Robert M. Conroy'. The signature is written in a cursive style. Below the signature is a horizontal line, and at the end of this line is a small, circular stamp containing the letters 'MEN'.

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS) CASE NO.
AND ELECTRIC COMPANY FOR THE SIX-MONTH) 2007-00380
BILLING PERIOD ENDING OCTOBER 31, 2006)
AND FOR THE TWO-YEAR BILLING PERIOD)
ENDING APRIL 30, 2007)

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
SECOND DATA REQUEST
OF COMMISSION STAFF
DATED OCTOBER 31, 2007

FILED: November 14, 2007

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Second Data Request of Commission Staff
Dated October 31, 2007**

Case No. 2007-00380

Question No. 1

Witness: Robert M. Conroy

- Q-1. Refer to the response to the September 19, 2007 Order, Appendix B (“First Request”), Item 1(b), page 2 of 5. Using both an adding machine and Excel spreadsheet, Staff cannot duplicate the results shown in columns 7 and 9 on this page. Verify the calculations and provide any clarifications.
- A-1. LG&E apologizes for the confusion. The calculations in the spreadsheet used three significant digits for the Rate of Return in Columns 4 and 5, and the Jurisdictional Allocation in Column 8, whereas the filed exhibit displayed two. Please see the modified attachment.

Louisville Gas & Electric Company
Overall Rate of Return True-up Adjustment - Revised Rate of Return
Impact on Calculated E(m) - Post 1995 Plan

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Revised in Case No. 2006-00130	Rate of Return as Through Current Case No. 2007-00380	Change in Rate of Return (4) - (3)	Rate Base as Revised	True-up Adjustment (5) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustment (7) * (8)
May-05	Mar-05	11.000%	11.000%	0.000%	\$ 213,555,725	-	65.390%	-
Jun-05	Apr-05	11.000%	11.000%	0.000%	213,362,311	-	74.980%	-
Jul-05	May-05	11.000%	11.000%	0.000%	212,533,047	-	68.970%	-
Aug-05	Jun-05	10.830%	10.830%	0.000%	215,843,243	-	78.370%	-
Sep-05	Jul-05	10.830%	10.830%	0.000%	215,114,791	-	91.730%	-
Oct-05	Aug-05	10.830%	10.830%	0.000%	216,033,709	-	85.180%	-
						-		-
Nov-05	Sep-05	11.270%	11.296%	0.026%	\$ 216,392,095	4,688	75.740%	3,551
Dec-05	Oct-05	11.270%	11.296%	0.026%	217,388,273	4,710	74.760%	3,521
Jan-06	Nov-05	11.270%	11.296%	0.026%	219,364,978	4,753	61.100%	2,904
Feb-06	Dec-05	11.270%	11.296%	0.026%	220,762,268	4,783	59.820%	2,861
Mar-06	Jan-06	11.270%	11.296%	0.026%	220,253,454	4,772	67.760%	3,234
Apr-06	Feb-06	11.270%	11.296%	0.026%	221,730,247	4,804	80.140%	3,850
						28,511		19,921

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Billing Month	Expense Month	Rate of Return as Filed	Rate of Return as Revised	Change in Rate of Return (4) - (3)	Rate Base as Revised	True-up Adjustment (5) * (6) / 12	Jurisdictional Allocation, ES Form 1.00	Jursidictional True up Adjustment (7) * (8)
May-06	Mar-06	10.390%	11.172%	0.782%	\$ 220,931,064	143,973	83.211%	119,802
Jun-06	Apr-06	10.390%	11.172%	0.782%	221,895,202	144,602	82.103%	118,722
Jul-06	May-06	10.390%	11.172%	0.782%	221,483,244	144,333	72.296%	104,347
Aug-06	Jun-06	10.390%	11.172%	0.782%	221,087,195	144,075	80.892%	116,545
Sep-06	Jul-06	10.390%	11.172%	0.782%	220,526,532	143,710	78.995%	113,524
Oct-06	Aug-06	10.390%	11.172%	0.782%	219,888,881	143,294	84.971%	121,759
						863,988		694,699
Nov-06	Sep-06	10.390%	11.013%	0.623%	\$ 219,080,345	113,739	83.495%	94,967
Dec-06	Oct-06	10.390%	11.013%	0.623%	218,229,519	113,297	72.077%	81,661
Jan-07	Nov-06	10.390%	11.013%	0.623%	217,626,865	112,985	61.157%	69,098
Feb-07	Dec-06	10.390%	11.013%	0.623%	220,286,371	114,365	76.574%	87,574
Mar-07	Jan-07	11.230%	11.013%	-0.217%	219,445,795	(39,683)	70.840%	(28,112)
Apr-07	Feb-07	11.230%	11.013%	-0.217%	219,199,794	(39,639)	75.533%	(29,940)
						375,065		275,248
Cumulative Impact of Changes in Rate of Return					\$	1,267,563		\$ 989,868

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Second Data Request of Commission Staff
Dated October 31, 2007**

Case No. 2007-00380

Question No. 2

Witness: Robert M. Conroy

Q-2. Refer to the response to the First Request, Item 2. LG&E has determined it experienced a cumulative net under-recovery of the environmental surcharge of \$839,948. Provide a breakdown of the cumulative amount showing the components which make up the net under-recovery. Include a calculation of each component or references in the record showing the calculation of each component.

A-2. Please see the attachment.

Louisville Gas & Electric Breakdown of Over/(Under) Calculation

Cumulative Impact of Revised Rate of Return	\$	(969,947)	a
Cumulative Impact of Revised Rate of Return (April'06)		(19,921)	b
Rapid Amortization Adj.		1,212	c
Cumulative Impact of Change in Rate Base		(9,624)	d
Operating Expenses Adj.		(175,270)	e
Revenue Over/(Under) Collection due to timing		333,602	f
Total Over/(Under) Collection	\$	(839,948)	

a) Summation of the two six-month periods ending Oct'06 and Apr'07,
KPSC First Data Request - Attachment to Response 1(b) page 2 of 5, column 9

b) Summation of the six-month period ending Apr'06 ,
KPSC First Data Request - Attachment to Response 1(b) page 2 of 5, column 9

c) Summation of the two six-month periods ending Oct'05 and Apr'06
KPSC First Data Request - Attachment to Response 1(b) page 1 of 5, column 9

plus: impact from Mar'06 and Apr'06 Expense months	\$	708
		<u>504</u>
	\$	<u>1,212</u>

d) KPSC First Data Request - Attachment to Response 1(b) page 1 of 5, column 9

Less Response to c) above	\$	(8,412)
		<u>(1,212)</u>
	\$	<u>(9,624)</u>

e) KPSC First Data Request - Attachment to Response 2 page 1 of 2, column 6

Adjustment to Operating			
	Expenses	Retail Allocation Ratio	Under Recovery
Mar-06	\$22,593	83.211%	\$ (18,800)
Apr-06	\$22,593	82.103%	(18,550)
May-06	\$22,593	72.296%	(16,334)
Jun-06	\$22,593	80.892%	(18,276)
Jul-06	\$22,593	78.995%	(17,847)
Aug-06	\$22,593	84.971%	(19,197)
Sep-06	\$22,593	83.495%	(18,864)
Oct-06	\$22,593	72.077%	(16,284)
Nov-06	\$22,593	61.157%	(13,817)
Dec-06	\$22,593	76.574%	(17,300)
			<u>\$ (175,270)</u>

f) The timing difference component is a function of the use of average 12 month revenues to determine the billing factor and the billing factors being applied to actual monthly revenues which will be different than the average.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Second Data Request of Commission Staff
Dated October 31, 2007**

Case No. 2007-00380

Question No. 3

Witness: Valerie L. Scott

Q-3. Refer to the response to the First Request, Item 9. Using a format similar to that shown in the response to Item 1(b), page 5 of 5, provide the calculations used to determine LG&E's jurisdictional electric capitalization as of February 28, 2007.

A-3. Please see the attachment.

Louisville Gas & Electric Company
Adjusted Electric Rate of Return on Common Equity
2/28/2007

(1)	(2) Total Company	(3) Adjustments to Total Co Capitalization (20)	(4) Adjusted Total Company Capitalization (2) - (3)	(5) Capital Structure (4) / (4). row 7	(6) Jurisdictional Capitalization Allocation	(7) Kentucky Jurisdictional Capitalization (4) * (6)
1 Long-Term Debt	819,304,000	17,288,309	802,015,691	39.75%	79.89%	640,730,336
2 Med Term Notes Payable	-	-	-	0.00%	79.89%	-
3 Short-Term Debt	58,398,000	1,232,270	57,165,730	2.83%	79.89%	45,669,702
4 Preferred Stock	70,424,594	1,486,044	68,938,550	3.42%	79.89%	55,075,007
5 Accounts Receivable Financing	-	-	-	0.00%	79.89%	-
6 Common Equity	1,113,132,571	23,488,450	1,089,644,121	54.00%	79.89%	870,516,688
	2,061,259,165	43,495,073	2,017,764,092	100.00%		1,611,991,733

(1)	(8) Kentucky Jurisdictional Capitalization (7)	(9) Adjustments to Ky Juris Capitalization (25)	(10) Adjusted Ky Jurisdictional Capitalization (8) - (9)	(11) Capital Structure (10) / (10). row 7	(12) Annual Cost Rate	(13) Weighted Cost of Capital (11) * (12)
1 Long-Term Debt	640,730,336	72,420,435	568,309,901	39.75%	4.44%	1.76%
2 Med Term Notes Payable	-	-	-	0.00%	0.00%	0.00%
3 Short-Term Debt	45,669,702	5,161,953	40,507,749	2.83%	5.26%	0.15%
4 Preferred Stock	55,075,007	6,225,015	48,849,992	3.42%	5.08%	0.17%
5 Accounts Receivable Financing	-	-	-	0.00%	0.00%	0.00%
6 Common Equity	870,516,688	98,392,716	772,123,972	54.00%	10.50%	5.67%
7	1,611,991,733	182,200,119	1,429,791,614	100.00%		7.75%
8 Weighted Cost of Capital Grossed up for Income Tax Effect (ROR + (ROR - DR) x [TR / (1 - TR)])						11.14%

Adjustments to Total Company Capitalization

(1)	(14) Total Company Capitalization (2)	(15) Capital Structure (14) / (14). row 7	(16) Trimble County Inventory Adjustment (16) row 7 x (15)	(17) Job Credits (17) row 7 x (15)	(18) Other Investments (18) row 7 x (15)	(19) Minimum Pension Liability	(20) Total Adjustments to Capitalization (16) + (17) + (18) - (19)
1 Long-Term Debt	819,304,000	39.75%	1,500,451	15,551,643	236,215	-	17,288,309
2 Med Term Notes Payable	-	0.00%	-	-	-	-	-
3 Short-Term Debt	58,398,000	2.83%	106,949	1,108,484	16,837	-	1,232,270
4 Preferred Stock	70,424,594	3.42%	128,974	1,336,766	20,304	-	1,486,044
5 Accounts Receivable Financing	-	0.00%	-	-	-	-	-
6 Common Equity	1,113,132,571	54.00%	2,038,561	21,128,959	320,930	-	23,488,450
7	2,061,259,165	100.00%	3,774,935	39,125,852	594,286	-	43,495,073

Adjustments to Kentucky Jurisdictional Capitalization

(1)	(21) Kentucky Jurisdictional Capitalization (8)	(22) Capital Structure (21) / (21). row 7	(23) Environmental Surcharge 1994 Plan (23) row 7 x (22)	(24) Environmental Surcharge Post-1994 Plan (24) row 7 x (22)	(25) Adjustments to Ky Juris Capitalization (23) + (24)
1 Long-Term Debt	640,730,336	39.75%	-	72,420,435	72,420,435
2 Med Term Notes Payable	-	0.00%	-	-	-
3 Short-Term Debt	45,669,702	2.83%	-	5,161,953	5,161,953
4 Preferred Stock	55,075,007	3.42%	-	6,225,015	6,225,015
5 Accounts Receivable Financing	-	0.00%	-	-	-
6 Common Equity	870,516,688	54.00%	-	98,392,716	98,392,716
7	1,611,991,733	100.00%	-	182,200,119	182,200,119